Scrapping of insurance agents

†480. SHRI KAPTAN SINGH SOLANKI: Will the Minister of FINANCE be pleased to state:

(a) whether Government is considering any proposal to discontinue commission of insurance agents;

(b) if so, the details thereof;

(c) whether this proposal will make a direct impact on the employment of insurance agents of Government and non-Government companies of the country; and

(d) if so, the steps to be taken by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) No, Sir.

(b) to (d) Do not arise.

Commission structure of insurance agents

481. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

(a) the details of the commission structure of intermediaries or commission agents handling insurance policies alongwith estimates of commissions paid to such agents for the last three years, year-wise by Life Insurance Corporation (LIC) and private companies separately;

(b) whether Government is considering scrapping agents commission in cases where insurance policies are directly purchased from companies, either online or by walking into an insurance company;

(c) if so, by when this provision is likely to come into effect; and

(d) the manner in which Government propose to reduce risk in premium lapses?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) The Insurance Regulatory and Development Authority (1RDA) has informed that the commission structure of intermediaries/insurance agents handling insurance policies is as follows: **Agents and Corporate Agents**: Section 40A of the Insurance Act, 1938 prescribes the limitation of expenditure on 'commission applicable both to individual and corporate agents. For life policies, other than annuity policies, in general, the commission permissible is thirty five percent of the first year's premium (an insurer, during the first ten years of his business, may pay forty percent), seven and a half percent of the second and the third year's renewal premium, and there after five percent of each renewal premium, payable on the policy. For annuity policies where single premium is payable, two percent of that premium is payable towards commission. In case of deferred annuity with more than one premium, seven and a half percent of the first year's premium and two percent of each renewal premium is payable towards commission.

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†Original notice of the question was received in Hindi.

Cap on the Insurance Agency Commission: As per the Section 40(2) of the Insurance Act, 1938, no insurance agent shall be paid or contract to be paid by way of commission or as remuneration in any form an amount exceeding in the case of life insurance business, forty percent of the first years premium payable on any policy or policies effected through him and five percent of a renewal premium, payable on such a policy, or, in the case of business of any other class, fifteen percent of the premium. **Brokers**: The IRDA (Insurance Brokers) Regulations, 2002 specifies the conditions and code for these intermediaries. As per these Regulations, no insurance broker shall be paid or contract to be paid by way of remuneration (including royalty or license fees or administration charges or such other compensation), an amount exceeding 30% of first year's premium and 5% of each renewal premium in respect of individual insurance and 2% of the premium in respect of annuity with single premium. For deferred annuity with more than one premium, 7.5% of first year's premium and 2% of each renewal premium is payable.

Commission paid by Life Insurance Corporation of India (LIC) and private insurance companies for the last three years is as follows:

(Rs. in crores)

	LIC			Private Insurers		
	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09
Agents	9153.13	9552.68	10029.72	1848.26	2725.80	2649.85
Brokers	11.25	3.04	0.55	31.41	73.99	130.66
Corporate Agency	4.16	12.22	2.86	801.22	1536.94	1768.64
Referral	0.00	0.00	0.00	293.64	536.27	488.01
Bancassurance	0.52	0.16	0.12	128.28	202.22	205.42

(b) and (c) If a policy purchased through direct marketing or online, the question of payment of agency commission does not arise.

(d) IRDA has put in place specific regulations for the same under relevant intermediary regulations by way of code of conduct.

Fake currency rackets at Kolkata

†482 SHRI SHREEGOPAL VYAS: Will the Minister of FINANCE be pleased to state:

(a) whether Kolkata has become the main centre of fake currency rackets;

(b) the countries whose nationals have been made found to be involved in these rackets;

(c) the number of persons against whom action has been taken; and

†Original notice of the question was received in Hindi.